

STATE OF RHODE ISLAND

Report Number 102

GROUND TRANSPORTATION PLAN

August 2001 Update

State Guide Plan

Element 611

TRANSPORTATION 2020

ADDENDUM 1

Adopted September 11, 2003
Effective September 26, 2003

Rhode Island Department of Administration
Information Services



STATEWIDE PLANNING PROGRAM

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Adopted September 11, 2003

I. INTRODUCTION

Transportation 2020. Rhode Island's Ground Transportation Plan identifies a number of major projects that need to be implemented to address the state's transportation system needs. In addition to completion of long-planned projects, such as the relocation of Interstate 195 in Providence, Quonset Access Road, and the Freight Rail Improvement Program, needs have emerged in the past several years to replace two major bridge spans on the state highway system – the Sakonnet River Bridge, and the southern span of the Washington Bridge.

The State's Transportation Improvement Program for 2001-2006, which is based on current funding levels, excluded and delayed implementation of many requested projects due to insufficient funding capacity. Unless additional financing options are found, the need to address major infrastructure replacement projects such as the Washington and Sakonnet River bridges, along with the need to complete the major projects which are underway (I-195 relocation, Quonset Access Road, Freight Rail Improvement Program) would negatively impact upon the overall ground transportation program in several ways: resources available to TIP programs which support needed Interstate, bridge, and highway reconstruction projects would be reduced in order to accommodate the financial requirements for timely completion of larger projects, or completion of the larger projects would be delayed via drawn-out construction scheduling designed to fit available resources. Delay or deferral of project completion due to insufficient resources has several negative consequences: deferred realization of anticipated project benefits, including safety, congestion relief and favorable impacts to the state and local economies; prolonged disruptions to communities due to construction and congestion, and, potentially higher than necessary projects costs, as construction costs escalate during protracted construction schedules that are constrained by limited funding availability.

At the State/Federal funding levels anticipated in the plan, and without reliance upon innovative financing options, the State would not be able to concurrently undertake, and complete in a timely fashion, needed major projects of the Highway Program. For this reason, the 2001 Update to the Ground Transportation Plan called for a funding plan to be developed which identified alternate financing tools such as Grant Anticipation Notes, Tax Financing Districts and/or user fees (tolls) for funding some, if not all, of these projects. Tolling was investigated in connection with the Sakonnet River Bridge project but was rejected based upon its negative reception by the public.

II. GRANT ANTICIPATION REVENUE VEHICLE FINANCING

In 2003, RIDOT received authorization in the 2004 State Budget for utilization of **Grant Anticipation Revenue Vehicle** (GARVEE) bonding to advance implementation of five major transportation infrastructure projects recommended in the Ground Transportation Plan. These projects are:

- Interstate 195 Relocation Project
- Quonset Access Road, Phase II
- Sakonnet River Bridge Replacement
- Washington Bridge (southern span) Replacement
- Freight Rail Improvement Program

Adopted September 11, 2003

A Grant Anticipation Revenue Vehicle is a debt financing instrument authorized to receive Federal reimbursement of debt service and related financing costs under Section 122 of Title 23, United States Code. GARVEEs can be issued by a state, a political subdivision of a state, or a public authority. States can receive Federal-aid reimbursements for a wide array of debt-related costs incurred in connection with an eligible debt financing instrument, such as a bond, note, certificate, mortgage, or lease. Reimbursable debt-related costs include interest payments, retirement of principal, and any other cost incidental to the sale of an eligible debt instrument. The GARVEE financing mechanism generates up-front capital for major highway projects at tax-exempt rates and enables a state to construct a project earlier than using traditional pay-as-you-go grant resources. With projects in place sooner, costs are lower due to inflation savings and the public realizes safety and economic benefits. By paying via future Federal highway reimbursements, the cost of the facility is spread over its useful life, rather than just the construction period. GARVEEs can expand access to capital markets, as a supplement to general obligation or revenue bonds.

Candidates for GARVEE financing are typically large projects (or a program of projects) that have the following characteristics:

- The costs of delay outweigh the costs of financing;
- Other borrowing approaches may not be feasible or are limited in capacity;
- They do not have access to a revenue stream and other forms of repayment are not feasible; and
- The sponsors are willing to reserve a portion of future year Federal-aid highway funds to satisfy debt service requirements.

Utilization of the GARVEE financing vehicle to support Rhode Island's five major projects offers potential benefits to the overall ground transportation program including accelerated implementation of programmed projects for which need has been established, ability to undertake (or accelerate) additional projects in the near term as federal funds presently dedicated to the programmed major projects are "freed up" by reliance on GARVEE proceeds, potential savings in construction costs due to shorter construction periods with less inflation exposure, eligibility for federal reimbursement of debt service costs associated with these projects, and potential savings in debt service costs through the opportunity to secure long-term financing for these projects at the currently favorable prevailing rates in the bond market.

Potentially negative impacts of utilization of the GARVEE financing tool on the State's overall ground transportation program are the necessity to dedicate a significant portion of the State's anticipated future federal highway program allocations to GARVEE bond retirement over an extended period of time (anticipated 20 years), and possible inability to meet future highway program investment needs (including currently unforeseen needs) in a timely fashion. This would especially be true should the levels of federal highway program funding currently anticipated to be available to Rhode Island in the future be reduced for any reason.

	Actual		Estimate	Planned																	
Category/project:	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Planning	5.6	4.9	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	118
Dedicated programs (EEO, etc.)	1.0	1.0	1.0	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	22
Study and Development	0.6	2.6	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	57
Modifications	14.3	8.0	12.0	17.0	17.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	248
Interstate	5.8	28.1	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	304
Bridge	29.9	34.7	25.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	600
Traffic/Safety	16.0	17.1	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	393
Congestion Mitigation/Air Quality	9.2	11.5	11.0	11.5	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	219
Enhancements	3.3	5.9	6.5	7.2	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	127
Bicycle/Pedestrian Program	11.0	10.0	6.5	6.0	9.7	7.4	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	142
Pavement Management (Resurfacing, IR, crack seal, thin overlays)	16.6	24.5	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	401
GARVEE Debt Service					30.2	30.2	54.3	54.3	54.3	54.3	54.3	54.3	54.3	54.3	54.3	54.3	54.3	54.3	54.3	54.3	821 ¹
I-195 Relocation Project	34.3	27.4	24.0																		86 ²
Washington Bridge Replacement			9.0																		9
Quonset Access Road	19.4	21.6	26.0	14.0																	81.0 ²
FRIP				12.0																	
Highway Projects	59.3	30.4	30.0	50.5	33.9	36.5	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	660.7
Unallocated				12.7	22.6	27.3	10.6	10.6	10.6	10.6	10.6	10.6	10.6	10.6	10.6	10.6	10.6	10.6	10.6	10.6	210.4
Total	226.3	227.6	215.0	226.0	226.0	226.0	226.0	226.0	226.0	226.0	226.0	226.0	226.0	226.0	226.0	226.0	226.0	226.0	226.0	226.0	4,288

GARVEE Bond Project Expenditures																					
Project	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
I-195 Relocation				39	46	58	75	46	20	20	16	6									326 ³
Sakonnet River Bridge				4.4	3.3	15	30	36	19	11											119 ³
Washington Bridge				3	14	20	20	9													66 ³
Freight Rail Imp. Project				19	19																38 ³
Quonset Access Road				13	35	29	21	2													

Notes: ¹ GARVEE Debt Service anticipated to continue through 2026 and to total approximately \$1,075,000,000.
² Total excludes pre-2001 authorizations and GARVEE category funds programmed for project.
³ Total shows GARVEE category funds only -- funds previously authorized or programmed under other categories are excluded.